

Message Text

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46

ACTION EA-14

INFO OCT-01 ADP-00 T-03 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 PM-09 PRS-01 PA-03 USIA-12 AGR-20

RSR-01 /176 W

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R 190805 Z MAR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3864

INFO SECDEF

CINCPAC

CINCPACAF

CINCPACFLT

CINCPACREPPHIL

CG 13 TH AF

C O N F I D E N T I A L MANILA 3125

CINCPAC FOR POLAD

E. O. 11652: GDS

TAGS; MARR, RP

SUBJECT: 1971- 72 MBA WORKING GROUP TALKS: REVIEW OF STATUS OF

NON- AGREED ARTICLES: ARTICLE V (CUSTOMS DUTY EXEMPTIONS)

REFS: A. MANILA 213 070912 Z JAN 72

B. MANILA 324, 1972

C. STATE 007146 DTG 1322 55 Z JAN 72

D. MANILA 574 190838 Z

E. STATE 12834 DTG 221859 Z

F. MANILA 783 260106 Z JAN 72

G. CINCPAC 292329 JAN 72

H. STATE 27146 162056 Z FEB 72

I. MANILA 1983 040306 Z MAR 72

J. MANILA 3122 190724 Z MAR 73

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1. THE IMPLEMENTING NOTE TO BRING INTO EFFECT THE TAX EXEMPTIONS ON USG OFFICIAL IMPORTATIONS AND THOSE MADE BY CONTRACTORS IN THE NAME OF THE USG PROVED EXCEEDINGLY DIFFICULT TO DRAFT DURING THE 1971-72 MBA WORKING GROUP DISCUSSIONS. THE INSTRUCTIONS RECEIVED BY THE EMBASSY WERE DESIGNED NOT ONLY TO RETAIN EVERYTHING THAT THE US HAD UNDER PREVIOUS AGREEMENTS BUT ALSO TO EXPAND THOSE EXEMPTIONS AND TO ACHIEVE THE MAJOR US NEGOTIATING GOAL OF A REBATE ON THE CUSTOMS DUTY ON PETROLEUM IMPORTS. FOR THEIR PART, THE PHILIPPINE NEGOTIATORS WERE UNDER INSTRUCTIONS TO LIMIT US EXEMPTIONS TO THE GREATEST EXTENT FEASIBLE AND TO AFFIRM PHILIPPINE SOVERIGNTY STRONGLY THROUGHOUT THE NOTE. AFTER PROLONGED EFFORTS BY THE US PANEL, THE GOP FINALLY ACCEPTED THE CONCEPT OF A REBATE ON PETROLEUM IMPORTATIONS BUT INSISTED THAT SUCH IMPORTATIONS SHOULD BE IN THE NAME OF THE UNITED STATES GOVT.

2. REF A IS THE TEXT OF IMPLEMENTING NOTE FOR ARTICLE V TABLED BY THE PHILIPPINE PANEL AT A DEC 27, 1971 MEETING OF THE MBA WORKING GROUP. IT INCLUDES A CRUDE DUTY REBATE FORMULA BASED ON A BARREL- TO- BARREL COMPUTATION CUSTOMARILY USED BY THE OIL INDUSTRY HERE. THE NOTE, OTHERWISE, RETAINS THE GENERAL FORM OF DRAFT WHICH HAD BEEN STUDIED BY THE PANELS FOR MONTHS. REF B WAS EMBASSY COMMENT ON PHILIPPINE NOTE AND, SET FORTH EMBASSY'S JUDGEMENT THAT PHILIPPINE PROPOSAL, WHICH HAD BEEN CLEARED THROUGH GOP BUREAUCRACY, WAS ABOUT BEST USG COULD HOPE FOR AT THAT STAGE OF THE MBA TALKS. IN REF C STATE/ DEFENSE INDICATED BARREL- FOR- BARREL REBATE FORMULA COMPUTATION APPEARED ACCEPTABLE, ALTHOUGH WASHINGTON INDICATED IT WAS HAVING DIFFICULTY WITH GOP " PAPER- TITLE" PROPOSAL IN WHICH REFINERIES WOULD BE CONSIDERED AS REFINING CRUDE IMPORTED FOR USG, AS BASIS ON WHICH TO ACCORD REBATE. CITED REASON FOR " TROUBLE" WITH PAPER- TITLE IDEA WAS REQUIREMENT THAT US- FLAG CARRIERS CARRY USG- OWNED PROPERTY. STATE/ DEFENSE PROPOSED DIFFERENT FORMULA. REF D CONTAINED GOP REJECTION OF STATE/ DEFENSE FORMULA AND INSISTENCE ON " PAPER- TITLE" CONCEPT OR THAT SALES OF REFINED PRODUCTS TO USG BE CONSIDERED EXPORT SALES FOR PURPOSE OF OBTAINING REBATE. REF E WAS GENERALLY FAVORABLE STATE/ DEFENSE RESPONSE TO EXPORT- SALES CONCEPT. REF F CONTAINED REPORT FROM GOP
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REP THAT PHIL BUREAUCRACY HAD REJECTED EXPORT- SALES BASIS

FOR REBATE, AND INSISTED THAT CRUDE MUST BE IMPORTED IN NAME OF USG TO OBTAIN REBATE. FURTHER, PHIL REP ASKED WHETHER WASHINGTON CONSIDERED ONLY PARAGRAPH IN IMPLEMENTING NOTE ON CRUDE DUTY NON- AGREED, OR WHETHER THERE WERE OTHER NON- AGREED ELEMENTS IN NOTE. REF G STATED CINCPAC' S VIEW OF THE DRAFT IMPLEMENTING NOTE; INDICATED CONCERN OVER PARA 5 OF THE NOTE AND SUGGESTED ADDITIONAL LANGUAGE FOR PARA 5. CINCPAC ALSO EXPRESSED HOPE THAT NOTE COULD BE SPECIFICALLY BROADENED TO INCLUDE WHARFAGE, HARBOR DUES AND ARRASTRE CHARGES. OTHERWISE, CINCPAC APPEARED TO CONCUR WITH DRAFT NOTE EXCEPT FOR EXPRESSION OF VARIOUS CAVEATS. REF H INDICATED GENERAL CONCURRENCE OF WASHINGTON WITH CINCPAC VIEW AND ASKED THAT ANSWERS TO CERTAIN QUESTIONS IN REF C AND E BE PROVIDED. REF I PROVIDED ANSWERS TO THESE QUESTIONS.

3. REQUEST STATE / DEFENSE IN ACCORD WITH REFS G AND H INDICATE CONCURRENCE/ NON- CONCURRENCE IN REF A PARA BY PARA, AND WHERE NON- CONCURRENCE EXISTS, REQUEST APPROPRIATE SUGGESTED LANGUAGE.
BYROADE

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*** Current Classification *** CONFIDENTIAL

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Disposition Authority: thigpegh
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TAGS: MARR, RP
To: CG 13 TH AF
CINCPAC
CINCPACAF
CINCPACFLT
CINCPACREPPHIL

EA

SECSTATE WASHDC

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